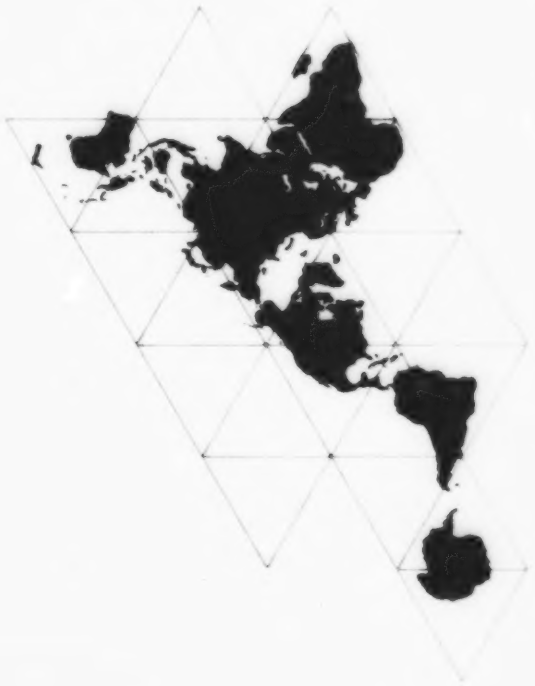
CANADIAN FOREIGN POLICY SERIES

Overview

March 1989

Canada and the Association of South East Asian Nations



Introduction

Half a world away, Canada is developing valuable economic and political relations with the six member countries of ASEAN. ASEAN, the Association of South East Asian Nations, includes the Philippines, Indonesia, Brunei, Singapore, Malaysia and Thailand. Overcoming initial difficulties, the members of ASEAN have forged economic, political, and cultural ties among themselves and with the international community. As a primary focus of its Asia-Pacific policy, Canada is developing strong links with these countries through the association and, equally importantly, on a bilateral basis.

Background

Prior to 1967, the countries of Southeast Asia were deterred from closer co-operation by difficult political relations. Up until 1965, Malaysia and Indonesia had been engaged in a border war, the Philippines disputed the Malaysian sovereignty over Sabah, and Singapore's withdrawal from the Federation of Malaysia in 1965 had strained relations between these two neighbours.

In 1967, the countries of the region faced difficult economic times. As producers of primary commodities, they competed with each other in the international market. They produced 95 per cent of the world's hemp, 85 per cent of its natural rubber, 67 per cent of its tin and copra, 60 per cent of its copper, and much of its palm oil, coffee, sugar and timber.

As well, the problems of diverse historical, religious, and developmental backgrounds were

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further compounded by the complicated geography of the region.

There were several attempts to overcome these difficulties by the formation of various regional organizations in the early 1960s. These attempts provided important learning experiences and eventually, despite political and economic tensions, a determined political will prevailed to overcome differences and begin the search for common interests and goals. Thus, the Bangkok Declaration was signed in 1967 and the founding members — Singapore, Malaysia, Thailand, Indonesia and the Philippines — proclaimed their three objectives to be the acceleration of economic growth; social and cultural development; and the promotion of regional peace and stability.

Today, the nations of Southeast Asia have market-oriented economies, and are open, dynamic and increasingly prosperous societies in a region vital to Western interests. Their unity has provided the region with political stability and a growing centre of economic power. Since the early 1970s, Canada has supported ASEAN politically and economically. Canada recognizes the important role ASEAN plays in the peace and stability of Southeast Asia, and ASEAN's role as a model of regional co-operation.

Realizing the Objectives

Political co-operation has been the most remarkable success of ASEAN, which has promoted regional peace and security through a variety of mechanisms. Sensitive to the superpower rivalry in Southeast Asia and the war in Indochina, ASEAN called for a Zone of Peace, Freedom and Neutrality (ZOPFAN) in the Kuala Lumpur Declaration in 1971. In 1976 in Bali, at the first summit meeting of ASEAN Heads of Government, the Treaty of Amity and Co-operation and the Declaration of ASEAN Accord were signed. The treaty set up ways to settle disputes between ASEAN members, while the accord was a blueprint for political, economic and cultural co-operation.

The fall of South Vietnam and rise of Communist governments in Laos and Cambodia in 1975 gave added impetus to the objectives contained in the original declaration and ZOPFAN's goals. The emergence of the brutal Khmer Rouge regime in Cambodia and subsequent invasion by Soviet-backed Vietnamese forces brought ASEAN's own security into sharp focus. Suddenly, an ASEAN member, Thailand, was threatened by Vietnam at its Cambodian border. It was this event that led ASEAN to close ranks and become the effective regional political unit it is today.

Politically, ASEAN has developed a unified response to a number of regional concerns. For 10 years, it has focused its attention on the Vietnamese occupation of Cambodia and has repeatedly called for withdrawal of troops from Thailand's neighbour. The association has also criticized the Soviet naval build-up in the Pacific and Indian oceans, and the Soviet establishment of a major naval and air base in Vietnam. ASEAN has spoken against Chinese expansionism, French policy in New Caledonia and nuclear testing at Mururua, and the presence of nuclear weapons in the Pacific. ASEAN amended the ZOPFAN in 1984 and agreed that Southeast Asia should be a Nuclear Weapons Free Zone. ASEAN also developed a coordinated position on the Law of the Sea.

Although the association was initially envisaged as an economic grouping, ASEAN political co-operation has been easier to achieve than economic co-operation. While individual ASEAN members sustained high average overall growth rates in Gross Domestic Product (GDP) between 1970 and 1980 (averaging 7 per

cent per annum), intra-ASEAN trade remains low, accounting for less than 20 per cent of the group's total trade. ASEAN's first steps towards economic co-operation occurred in 1977 with the Agreement on ASEAN Preferential Trading Arrangements (PTA), which covers 20 000 items. At the Third ASEAN Summit in Manila in December 1987, the six nations announced a five-year plan to include 90 per cent of the goods traded within ASEAN in the PTA. The plan also aims to include 50 per cent of the value of imports from one ASEAN nation to another in the PTA, along with an increase in preferential tariff rates and a commitment to holding tariff and other trade barriers among the ASEAN nations at their present level, and, wherever possible, reducing or eliminating them entirely.

There have, moreover, been some notable multilateral economic achievements, particularly co-operation on the ASEAN position in the General Agreement on Tariffs and Trade (GATT) and the 1986 Uruguay Multilateral Trade Negotiations (MTN) Round. Thailand, the Philippines, Malaysia and Indonesia are, along with Canada and several other agricultural exporting nations, members of the Cairns Group of Fair Agricultural Traders. These countries have worked together to advance a common strategy to reduce distortions in agricultural trade.

Industrialization, particularly in high technology, is growing. Singapore is considered one of the "Four Dragons," along with South Korea, Taiwan and Hong Kong, and is a major international financial, commercial and trade centre. Malaysia and Thailand have also developed rapidly, being recently considered among the ranks of the "Newly Exporting Countries" by the Organization for Economic Co-operation and Development (OECD). Both countries are diversifying their economies toward value-added and technology-intensive manufacturing and industrial activities.

The Philippines is struggling to rebuild its once buoyant economy. Indonesia is focusing its efforts on the diversification of exports and the development of industries outside the petroleum sector. It is experiencing much success in liberalizing its business and trade practices in order to increase its competitiveness. Similarly, Brunei is making efforts to diversify its economic activity away from over-dependence on oil and gas exports.

To encourage private sector investment, the ASEAN foreign ministers in November 1983 approved the ASEAN Industrial Joint Ventures scheme. This scheme invited foreign private investors to team up with the ASEAN private sector in construction and operation of major industrial enterprises. Foreign partners were, however, subject to maximum 49 per cent interest in the total investment. In return, the foreign investors received market access in the country where the project is located, and preferential access to the markets of ASEAN partners in the project.

The scheme was subsequently amended to improve incentives and further attract foreign investment. Thus, at the December 1987 Manila Summit, ASEAN nations agreed to permit up to 60 per cent foreign interest in projects, to increase tariff preferences for ASEAN Industrial Joint Venture products, and to introduce investment guarantee legislation to protect investments from appropriation and nationalization.

Initiation of Canada's Relationship with ASEAN

Our support for the Association of South East Asian Nations (ASEAN) and its relations with its members' countries ... is an important element in Canada's goal of seeking closer relations with the countries of the Pacific region.

This 1974 statement by former Prime Minister Pierre Trudeau provided the initial impetus for Canada's pursuit of relations with the member nations of ASEAN. Beginning in 1975 when the Secretary of State for External Affairs initiated formal contacts with the association, Canada was welcomed as an official "dialogue partner" with ASEAN, a relationship that has evolved to include many valuable elements.

As a dialogue partner, Canada joins Australia, the European Community (EC), Japan, New Zealand, and the United States to be among those countries with which ASEAN has developed particularly close relations. ASEAN designates a co-ordinating member country on a rotating basis to be the main contact point on behalf of the association for each partner. For the period 1988 to 1991, Canada's dialogue co-ordinator is Brunei, which was preceded by Thailand.

Canada-ASEAN Political Relations

Canada shares Commonwealth membership with Singapore, Malaysia and Brunei. Along with Canada, ASEAN nations also participate in the GATT and at the Uruguay Round, in the Cairns Group on agricultural trade reform, and in the North-South Dialogue. ASEAN nations also are important, moderate, and westward-looking members of OPEC (Organization of Petroleum Exporting Countries), the Islamic Conference, and the Group of 77.

Canada and ASEAN also share several political concerns. Since 1980, the Secretary of State for External Affairs has attended the annual ASEAN Foreign Ministers Post Ministerial Conference. This conference discusses regional and international economic and political issues of interest to ASEAN and dialogue partners. Canada has consistently supported ASEAN's demand that the Vietnamese troops leave Cambodia. Likewise, Canada and ASEAN pressed for early withdrawal of Soviet troops from Afghanistan. Both actions were seen as making marked contributions to prospects for peace and prosperity in Southeast and West Asia.

Canada-ASEAN Commercial and Economic Relations

Canada's economic relations with ASEAN are strong and growing. Canada is a major importer of natural resources from ASEAN, and the steady growth of the economies of the ASEAN members' countries offers excellent opportunities for Canadian suppliers.

Total two-way trade between Canada and ASEAN equalled C$1.8 billion in 1987, a 33.5 per cent increase over 1986. Canadian exports to the region increased by 39.9 per cent to $908 million, while imports increased 27.8 per cent to $925 million, leaving a balance in favour of ASEAN of $16 million. There is little doubt that in 1988 Canada-ASEAN trade will exceed the $2 billion figure. While two-way trade between Canada and ASEAN has tripled over the last decade, there remains tremendous potential for future growth as ASEAN and Canadian exports account for only approximately 1 per cent of each other's markets.

Canada and ASEAN have agreed that one of their fundamental objectives is to expand trade to a level more commensurate with their respective economic strengths. To this end, the

Canadian government has funded a series of conferences, trade and investment missions, and feasibility studies aimed at expanding the commercial relationship. Canadian business interests are served by the Canadian missions in Bangkok, Kuala Lumpur, Jakarta, Manila, and Singapore (also responsible for Brunei and represented locally by an Honorary Consul).

In 1988, the Department of External Affairs supported 17 trade fairs, exhibits and missions in pursuit of trade development opportunities in the ASEAN region. In addition, under the Asia-Pacific Initiatives Program, several millions of dollars over five years have been committed to sharing the costs of new initiatives by Canadian business in developing trade in ASEAN markets.

The Industrial Co-operation Program of CIDA (Canadian International Development Agency) emphasizes technology transfer and manufacture under licence in ASEAN markets. In 1988, CIDA spent $6 million on approximately 120 projects to facilitate investment and equity participation by Canadian companies in the ASEAN region. The budget for the Industrial Co-operation Program will double over the next four years.

The links that have been established between the Canadian private sector and counterparts in ASEAN form the most important aspect of the trading relationship and will be the building blocks for future Canadian success in the region. An Economic Co-operation Agreement was concluded between Canada and ASEAN in 1981. It outlines an ambitious program of industrial, commercial and development co-operation between them and established the Canada-ASEAN Joint Co-operation Committee to monitor the program and give it direction. For the first time in April 1988, the private sector (represented by the ASEAN-Canada Business Council) participated in a meeting of the Canada-ASEAN Joint Co-operation Committee. This marked the beginning of an effort to bring the private sectors of both Canada and ASEAN closer to policy formulation in trade-related matters.

There are two main private sector groups with institutional relationships in ASEAN:

1) The ASEAN-Canada Business Council (ACBC) was created by the Canadian Chamber of Commerce and the ASEAN chambers of Commerce and Industry in October 1986. The main objectives of the ACBC are to augment human resource develprograms between Canada and ASEAN; improve business relations and identify problems affecting trade, investment, opment and technology transfer; promote freer exchange of information on business opportunities; and encourage broader business contacts. The ACBC has developed a list of some 750 Canadian exporters of goods and services who are active in or interested in doing business in ASEAN.

The Canadian section of the ACBC has close contacts with federal government departments, particularly the Department of External Affairs, and government agencies such as CIDA and the Export Development Corporation (EDC). The ACBC meets regularly with the ASEAN Ottawa Committee comprising the ambassadors and high commissioners to Canada of the ASEAN nations. The ACBC also works with the Canadian Executive Services Organization (CESO) in the International Development Associates Program (IDAP), which helps place Canadians in ASEAN companies and ASEAN citizens in Canadian companies.

2) The Canadian Manufacturers' Association (CMA) has been actively pursuing business opportunities in the ASEAN region since 1984. During that time, the CMA has sent five business missions to ASEAN. These missions have attracted a great deal of attention throughout ASEAN and have resulted in the identification of significant joint venture potential, valuable technology transfer opportunities, plus the selection of excellent agents to represent Canadian interests in ASEAN. The CMA has signed co-operation agreements with the Federation of Thai Industries, the Federation of Malaysian Manufacturers, and the Singapore Manufacturers' Association.

New air agreements facilitate cargo and passenger links between Canada and ASEAN countries. Air Canada has been serving Singapore since 1984, and Singapore Airlines began service to Vancouver in July 1988. CAIL has been flying into Bangkok since October 1987, and Thai International began service to Toronto in July 1988. CAIL and GARUDA are co-operating on traffic flow between Canada and Indonesia.

Provincial governments are also very much involved in trade promotion activities in ASEAN. Ontario, Quebec, and British Columbia have opened regional trade offices in Singapore to assist provincial trade missions and work with Canadian missions in achieving provincial trade objectives in the region.

Through membership in the Asian Development Bank (AsDB), the Canadian government contributes to the economic and social progress of developing member countries which include five of the six ASEAN nations. Membership in the AsDB also opens substantial business opportunities for Canadian suppliers, civil works contractors and consultants in competing for AsDB-financed contracts. The Canadian Embassy in Manila has a full time Trade Commissioner dedicated to assisting the Canadian private investor to pursue projects financed by the AsDB.

Canadian companies are gradually moving beyond direct sales and more toward equity participation — transfer of technology, joint venturing, and manufacture under licence in ASEAN countries. Future growth in Canadian trade and investment in the region will increasingly depend upon an "on-the-ground" presence.

Canadian Development Assistance to ASEAN

In addition to the significant bilateral development co-operation programs Canada has with four members of ASEAN (Thailand, Indonesia, Malaysia and the Philippines), the 1981 Canada-ASEAN Economic Co-operation Agreement established a framework for development co-operation activities between Canada and ASEAN. The Asia Branch of CIDA administers the ASEAN Program, following the principles set forth by the association at the first Canada-ASEAN dialogue in 1977. These principles are that assistance to ASEAN should not preclude assistance to individual member states; projects receiving assistance should be regional, conceived by ASEAN, and beneficial to all ASEAN members; and assistance should supplement ASEAN strengths.

The ASEAN-Canada Development Co-operation Program includes projects in agriculture, fishery, forestry, science and technology, and transportation and communication. CIDA has committed $20.1 million to these programs, and in 1987-88 spent $3.5 million.

Human resource development is an increasingly important component of all CIDA's development co-operation programs. Accordingly, Canada emphasizes this sector in its development co-operation program with ASEAN. ASEAN countries are increasingly industrialized, and Canadian assistance programs in the human resource development sector are designed to meet their needs in science, technology and industry. In 1987, CIDA established a $750 000 ASEAN Human Resource Development Fund for study tours and the training of government personnel. The agency also established a $600 000 ASEAN Scholarship Fund which provides scholarships for diploma and graduate studies at Canadian universities, colleges and technical institutes. The Scholarship Fund also provides funding for short training programs in ASEAN.

In October and November of 1987, CIDA funded a Multilateral Trade Negotiations Study Tour Project which brought trade policy officials from the Philippines, Indonesia, Brunei, Malaysia and Thailand to Canada. They met with Canadian federal and provincial officials and private sector representatives to discuss MTN and other trade policy issues.

Canada also provides assistance on a bilateral, multilateral, and special programs basis to four members of ASEAN. Between 1982 and 1986, CIDA disbursed $270 million to Indonesia, $102 million to Thailand, $79 million to the Philippines, and $19 million to Malaysia. ASEAN nations also receive Canadian support through international organizations such as the World Bank, the Asian Development Bank, and the United Nations Development Program. CIDA's special programs aid includes support to business co-operation programs and non-governmental organizations.

ASEAN was chosen as one of the first regions for the decentralization of CIDA's programs, and the expansion of CIDA's presence in Manila and Jakarta is now under way. Additionally, as part of this decentralization policy, Canada will open a regional office in Singapore in 1989 to handle ASEAN-wide projects and activities.

Immigration

In the wake of the Vietnam war and the upheaval caused by the ensuing power struggle in the region, an exodus of refugees from that country precipitated a regional and international crisis. The ASEAN countries were deluged by Indochinese seeking sanctuary. Canada played a leading role in supporting ASEAN through that difficult period by joining ASEAN in pressuring Vietnam to stem organized and clandestine departures and continue to work to develop long-term durable solutions for the refugee problem. Between 1975 and 1987, Canada resettled 110 000 Indochinese refugees: among them were 37 102 from Thailand; 27 441 from Malaysia; 13 828 from Indonesia; 3 250 from the Philippines; and 1 365 from Singapore.

In 1987, Canada accepted 8 895 immigrants from the six ASEAN nations. The largest number, 7 110, came from the Philippines; 673 came from Malaysia, 472 from Singapore, 317 from Brunei, 199 from Indonesia, and 124 from Thailand.

Some of these immigrants came to Canada with the intention of managing a business or investing capital and know-how to create or retain jobs for Canadians. In 1987, some 203 business immigrant cases originated from ASEAN countries, representing a real or proposed capital transfer to Canada in excess of $212 million and the creation or retention of almost 1 000 jobs.

Another vibrant ASEAN presence in Canada is provided by the over 6 000 students from ASEAN countries registered at Canadian schools, technical institutes, colleges and universities in 1987-88. They accounted for nearly 13 per cent of the 52 170 international students in Canada that year. The Philippines provided the most students, sending 2 531. Another 1 882 came from Malaysia, 1 487 from Singapore, 598 from Indonesia, 176 from Thailand, and 102 from Brunei.

Conclusion

As a community of nations that has overcome the problems of diversity to achieve mutual respect and the building of common interests, ASEAN provides an excellent example of the value of regional co-operation. Its political successes and economic prospects belie the earlier tensions and unenthusiastic predictions. As events unfold in Cambodia, Laos and Vietnam, ASEAN will be challenged to build a constructive relationship with these countries in the region, including new co-operative arrangements to overcome the tensions and distrust of the past. ASEAN's own internal experience gives hope that this change can be accomplished if there is good will on all sides. Canada stands ready to help.

ASEAN is a vibrant part of Asia-Pacific which in turn is an important focus of Canadian foreign policy. In a region where the four superpowers converge, ASEAN's growing relations with Canada are valued. Canada, as a member of the Economic Summit, the Commonwealth, and la Francophonie provides opportunities and challenges for a long-term and valuable relationship with the member countries of ASEAN.

Canada

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(Publié également en français)